

? ds

Set	Items	Description
S1	0	(DEBT (12S) (SECURIT? BOND?) (12S) BACKED (12S) LOAN)
S2	24144	(DEBT (12S) (SECURIT? OR BOND?) (12S) BACKED (12S) LOAN)
S3	9287	S2 NOT MORTGAGE
S4	4186	S3 AND PY<2000
S5	3167	S4 AND ((DEBT(4S) (SECURIT? OR BOND?) (4S) BACKED) AND LOAN)
S6	6	S4 AND RCA
S7	3	S5 AND S6
S8	3	RD (unique items)
S9	3	RD S7 (unique items)
S10	11268045	D
S11	307	S5 AND LOAN (3S) BACKED AND OBLIGATION
S12	0	S11 AND LOAN (3S) BACKED (12) OBLIGATION
S13	251	S11 AND LOAN (3S) BACKED (12S) OBLIGATION
S14	251	S13 AND PY<2000
S15	397178	14 AND (SELL? OR SOLD) AND CREAT?
S16	61	S14 AND (SELL? OR SOLD) AND CREAT?

? s s16 and s6

61 S16

6 S6

S17 0 S16 AND S6

? t s16/k,3/all

16/K,3/1 (Item 1 from file: 15)

DIALOG(R) File 15:ABI/Inform(R)

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01979691 47607620

United Kingdom

Roberts, Andrew J

International Financial Law Review PP: 69-72 1999

ISSN: 0262-6969 JRNL CODE: IFL

WORD COUNT: 2514

...TEXT: clauses in practically all investment agreements. A more recent innovation is the introduction of an **obligation** (usually placed on the investee company subject to any financial assistance concerns being overcome) to...

...the anticipated exit date to advise on the most suitable method of exit. A further **obligation** on the parties to follow such advice is sometimes included but there is normally no sanction imposed if either **obligation** is not complied with.

CLEAN BREAK

Other than basic warranties as to title to shares...

... and indemnities are given on exit by management and, therefore, insists that management accept an **obligation** to give warranties and indemnities of the type most appropriate for the type of transaction of shares and **loan** instruments in a traditional buy-out structure). In reality a trade sale is likely to...

... common for them to argue that as a condition of accepting any such lock-up **obligation** they set acceptable parameters regarding the percentage of their shares that will be subject to...

...relevant in people businesses.

The most common form that such a clause takes is an **obligation** placed on each manager to enter into a new service agreement at exit with a...

...clauses the private equity investor would argue that although they would never enforce such an **obligation** (a manager reluctantly agreeing to remain with the company only because he is threatened with...

... being demanded from either managers or purchaser. It would not be surprising to see an **obligation** placed on management at investment stage to agree to give such a warranty on exit...

... obtain from the purchaser an "antiembarrassment clause" so that in the event the company was **sold** within a short period of time for a higher amount or extra value was given...

... very difficult to negotiate into a sale agreement which is why the "all arrangements warranty" **obligation** at investment stage is likely to become more common place.

#### FUTURE TRENDS

The standard considerations... investment agreements is anticipating the exact form that an exit will take.

Only eight venture- **backed** IPOs (Initial Public Offerings) have completed in the year to September 1999 (source: the private...

... as a result of private equity investors putting together different investments in an effort to **create** a larger entity which will provide a better exit. The decline in trade sales, therefore...

... a simple situation in which a cash generative business can service an increase in bank **debt** which will allow it to purchase the investors' shares; to (ii) a complicated structure involving a combination of bank **debt** and high yield **bonds** as in the case of the widely reported exit from Luxfer earlier this year.

It...

... which they or the company have the option to purchase the investors' shares and/or **loan** instruments in the absence of a better exit route. One could see this type of...

...on a controlled exit basis over a period of years in the same way as **loan** notes are redeemed either with or without an **obligation** on managers to purchase shares if they chose not to.

If these types of innovation...

16/K,3/2 (Item 2 from file: 15)  
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01952277 46241260  
**Aircraft securitization:** Getting the extra 'E'  
Chance, Clifford  
Airfinance Journal PP: 4-6 Sep 1999  
ISSN: 0143-2257 JRNL CODE: AIF  
WORD COUNT: 2768

TEXT: Clifford Chance, the international law firm, examines aircraft and aviation finance **securitization** transactions in Asia by way of comparative analysis of EETC type and ALPs/Airplanes type **securitization** exercises.

There are two principal methods that are used in the **securitization** of aircraft asset portfolios.

The first is the use of (enhanced) equipment trust certificates (E...

... liquidity line (to finance payment under the trust certificates while the aircraft is repossessed and **sold** or re-leased to provide cashflow to retire or service the **debt** ); and, perhaps most importantly - and also most problematically in an Asian context - certainty of repossession...

... appear to be problematic and may involve little more, in real terms, than a bank **debt** refinancing through the capital markets or a cash-raising sale and leaseback exercise via a...

...rating, however, may be a different story altogether in Asia. The second method is the **securitization**

of aircraft on (usually) operating leases and aircraft residual values on a diversified portfolio basis...

... of bankruptcy remote entities (or their shares) which already own the relevant aircraft to the **securitization** vehicle.

The credit rating of the airlines is not usually a major factor as the...

...when modelling cashflow from the airlines from the rating perspective. ←

What follows assumes that the **securitization** will be rated by a recognized rating agency with an appropriately high rating (say AA or AAA). Recently, with renewed interest in the **securitization** of loan obligations, some transactions using **securitization** of loans **backed** by **security** over aircraft are also being seen.

There are a number of legal issues which need to be examined in any aircraft **securitization** . In most cases the rating agencies assume - using the weakest link approach - that the **seller** /originator (if not rated at least as high as the proposed **debt** rating of the **securitization** note or ETC issue) will go into immediate insolvency following transfer of the assets. This means that one principal issue is whether the assets being **securitized** or, alternatively, securing the EETCs have been effectively transferred to the special purpose vehicle, such that they no longer form part of the bankruptcy estate of the **seller** /originator.

This requires an analysis of the legal position were the **seller** to go into insolvency after the sale. It involves an examination of the rights of any liquidator, receiver or similar officer of the **seller** to avoid or adjust the sale transaction as well as the risk that the sale transaction might be recharacterized as a financing transaction with the grant of **security** rather than a true sale.

Such analysis is primarily a rating agencydriven **creature** . It will often be difficult in Asian jurisdictions, which, in the main are not overly familiar with **securitization** techniques or rating agency requirements and have little experience of such exercises. Because of this...

... against which enough analysis can be conducted to make a rating agency happy.

Where the **seller** /originator is incorporated in a jurisdiction with established bankruptcy and insolvency regimes - as well as reasonably settled precedents as to what will constitute a true sale - legal counsel of the **seller** /originator will be able to give an opinion in a form acceptable to the rating...

... the parties acting in good faith, the sale being for fair market value and the **seller** not being insolvent at the time of, and for the length of any preference period under applicable law after, the sale transaction), that the sale by the **seller** /originator to the note or ETC issuer is legally valid, binding and enforceable against the **seller** /originator and not subject to being avoided or adjusted or recharacterized as a **security** interest only.

However, in several Asian jurisdictions, there may not be clear legal concepts as...

... clarify the rights of debtors and creditors in circumstances of insolvency - and also to promote **securitization** as a financing tool - some Asian countries have introduced new bankruptcy laws and tightened the implementation of existing procedures. In some jurisdictions, specific **securitization** laws have been passed.

By way of example, but also to indicate the difficulties which arise in relation to aircraft and aviation asset **securitizations** even before worrying about getting the extra 'E' or the desired rating, Japan is one country where an active asset- **backed securities** market has developed over ...has been made possible because of the introduction of legislation to overcome legal impediments to **securitization** . In the context of ensuring a true sale has been made, two areas are of...

... transfer of assets itself as well as preventing any recharacterization as the grant of a **security** interest by the **seller** .

The general position under Article 467 of the Japanese Civil Code is that an assignment...

... non-bank finance companies such as leasing companies and has been used in relation to **securitizations** of pools of aircraft leases by Japanese leasing companies.

The MITI law provides that the...

...due from the assignee, which is known as a kihon saiken or basic claim.

The **seller** /originator then divides this basic claim into individual claims (or koguchi saiken) and then, as an entity engaged in the business of **selling** koguchi saiken, **sells** these fractional interests to investors (either directly or through a dealer) or, more usually, to...

...special purpose company which holds the assets and finances its purchase by the issue of **securities** .

The MITI law transactions completed so far have, in the main, been structured either with...

...to maintain the portfolio and look after re-leasing and sale of aircraft

of the **seller** /originator if the servicer has problems.  
It is also important under Japanese law to ensure...

...to which the originator has relinquished control over the receivables;

the extent to which the **seller** /originator has any **obligation** to purchase or repurchase the receivables or will receive a transfer back of the receivables...Other legal issues

Another legal issue which needs to be considered in relation to EETCs **backed** by aircraft lease receivables and any securitization of aircraft lease receivables, or of **loan** receivables secured against aircraft mortgages and assignments of aircraft leases is the ability, and practicality...

...needed for disclosure of information in a public offering circular. Even without such clauses, the **seller** /originator will be acutely sensitive to the possibility of upsetting its customer (the lessee) by...

16/K,3/3 (Item 3 from file: 15)  
DIALOG(R)File 15:ABI/Inform(R)  
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01775644 04-26635

**TermoEmcali**

Lake, Thomas E; Davis, Henry A  
Journal of Project Finance v4n4 PP: 37-50 Winter 1999  
ISSN: 1082-3220 JRNL CODE: JPFN  
WORD COUNT: 6708

...ABSTRACT: Dresdner Kleinwort Benson in the Rule 144A private placement market with a back-up commercial **loan** commitment. The project's bonds had the longest term to date for a Colombian borrower...

...TEXT: including the following:

Infrastructure project generating local-- currency revenues financed "out of the box" with **bonds** .

First power project in Colombia financed through Rule 144A private placement.

Longest-term **bond** issued to date for Colombian borrower.

**Bond** issue **backed** by commercial **loan** commitment.

No state guarantees or state-owned offtakers.

Obligations of private off-takers guaranteed by pledge of receivables .  
**Debt** -service reserve and working capital account.

DESCRIPTION OF FINANCING Senior secured notes in a principal...

...commercial banks led by Dresdner Kleinwort Benson were as follows:

\$13.2 million, five-year **debt** service reserve letter of credit with a fee of 2.5% per year and a...

... the issuance of senior secured notes pursuant to Rule 144A and Regulation S of the **Securities** Act of 1933.

The plant consists of a single Westinghouse model 501F advanced combustion turbine...

... in meeting the growing demand for electricity in the Call area. It also enhances the **security** of the national power supply and reduces the strain on the Colombian national power system...

... 000 in 1996. Peak electricity demand in 1996 was 651 MW Emcali reorganized in 1997, **creating** a holding company and four operating subsidiaries for power generation, power distribution, water and sewer... the project within the twenty-- two-month construction timetable and is further motivated by an **obligation** to pay up to 40% liquidated damages to cover delay penalties owed to Emcali under...dollar indexed. Under the PPA, tariffs are protected against a change in law. Emcali will **sell** power into the Bolsa when dispatched by the national dispatch center and directly to unregulated...

... They committed to complete the project in twenty-two months. The contractors have an unlimited **obligation** to achieve mechanical completion, which entails installing all components and systems required by the EPC...Stearns and co-managed by certain institutions including Dresdner Kleinwort Benson North America LLC, the **securities** affiliate of Dresdner Bank AG.

The final maturity of the notes is 2014, 17-3...

... be financed with bank loans through the construction period and then taken out with a **bond** financing. The Termoemcali project financing was relatively aggressive with a **bond** financing "out of the box."

#### Alternate Standby Facility

To ensure long-term financing for the...

... note issue was unsuccessful or delayed because of poor market conditions. Although a bank term **loan** in place of the 144A note issue was conceivable, the terms and conditions for such a **loan** would have been more restrictive and therefore provided an incentive to refinance the facility as...

... credit be issued by a Colombian bank. A back-to-back letter of credit was **created** in which the lending-syndicate banks issued a letter of credit in favor of Citibank...

...the project is obligated to make its first payment to purchase gas. Each working capital **loan** has a 180-day maturity, but is required to be repaid only up to the...

... regulations were changed, in effect, to prohibit the repayment of more than 40% of a **loan** amount during the first three years the **loan** is outstanding. Under the new regulations, a borrower who pays more than 40% is required...

... deposit with the central bank. To accommodate repayments of more than 40%, the lending banks **created** the available pledged funds account, a deposit account held by the U.S. collateral agent. **Loan** repayments above the 40 % limit are held in the available pledged funds account until they ...

... the working capital facility. Recent changes in Colombian law required this structure to be amended.

## **Debt Service Reserve Letter of Credit Facility**

In previous Colombian power projects such as Termobarranquilla, state...

... guarantee or power-purchase commitment common in previous power project financings.

The US\$132 million **debt** service letter of credit facility, equal to six months principal and interest payments, supports temporary shortfalls in **debt** service payments to the 144A note holders. Drawings are available the earlier of the commercial...

...plus allowable force majeure delays. Principal payments are subordinated to the other senior loans. The **debt** service reserve lenders have a right to "step up" or upgrade their principal repayment status...

... indebtedness if loans under the facility are not paid on time or if the project **debt** is accelerated. Fees and interest on the facility rank pari passu and share collateral with senior **debt** .

Sources and uses of funds in connection with development, construction, financing, and commencement of commercial operation of the project were estimated to be are shown Exhibit 5.

## **Security Package**

Senior lenders are secured by a lien on and **security** interest in the collateral, as defined, subject to the priority of payment on the working ...

...all permits and other approvals of the project.

## **Emcali Support Package**

In addition to the **security** package, Emcali's obligations under the PPA are supported by a letter of credit and... that will be added to the capacity payment. If Emcali defaults in its PPA payment **obligation** , the fiduciaria (trustee) has the right to utilize daily collections in the designated collection accounts...

... Bear Stearns was engaged by InterGen before the banks were. InterGen wanted to do a **bond** financing "out of the box," but recognized that this was an ambitious undertaking, and therefore developed a back-up plan in case the **bond** markets turned unfavorable. This requirement led to the idea of an alternate standby facility to serve as an insurance policy. InterGen tendered the standby letter of credit facility and the **debt** service working capital reserve facility to the banks for bids. Dresdner Kleinwort Benson arranged the standby facility, receiving approval from their respective credit committees to underwrite a syndicated **loan** for the full amount, but did not actually underwrite the facility because it was not needed. Note that **bonds** can offer longer-term, lower financing cost and, to a certain extent, more flexibility to...

... does not have the flexibility to wait until the credit markets improve to do a **bond** financing. The plan for a **bond** financing **backed** by an alternate standby facility provided InterGen with the advantages of both. A **bond** financing, in some ways, may allow sponsors more flexibility than a bank financing because **bonds** are **sold** to a diverse group of institutional investors who are not in a position to follow...

... such as temporary forgiveness of covenant defaults. On the other hand, disclosure issues sometimes make **bond** financings seem less flexible. In the case of environmental liabilities and other unusual risks and...

... and decide whether or not they are acceptable. But for investment bankers, unusual situations may **create** difficult disclosure issues. The due diligence process requires that unusual risks be disclosed in a...

...exaggerate risks, raise pricing, and scare off institutional investors.

For a short time before the **bond** financing, there was a possibility that the credit facility would be used. The bank group...

... Benson needed enough compensation to justify their analysis and preparation in the event the syndicated **loan** was required.

The banks agreed on a term sheet with InterGen that provided for a...

... standby facility was used. The banks would be given sixty-five days to close the **loan** once the facility was activated. As soon as InterGen notified the banks that it wanted...

... We observe that there is inherent tension between an investment banking firm responsible for a **bond** underwriting and a commercial bank group offering a related standby facility. A client may decide not to do a **bond** issue because of market conditions or for other reasons. But later, if the client once again decides to do the **bond** issue, it may not be obligated to give the mandate to the same investment banking...the client may choose a universal bank to underwrite a facility that provides for a **bond** financing or a commercial **loan** depending on market conditions. Once the universal bank receives the mandate, it knows that it...

... staff up their investment banking groups and buy or merge with investment banking firms.

The **bonds** were oversubscribed. Lake sees several factors that made the **bonds** attractive to institutional investors: Investors were looking for attractive "alternative investment" opportunities. The TermoEmcali **bonds** were investment grade, but also with a good spread. The engineering and contract structure of...

... and political corruption, one of the strongest, best managed economies in Latin America.

#### CREDIT ANALYSIS

**Debt** service coverage is projected to be 1.62 times average and 1.54 times minimum. The base case assumes a 17-3/4-year **bond** tenor (12.61-year average life) and a 318 basis point spread over U.S...  
...to be 15% and 19% respectively (see Exhibit 6).

#### Credit Rating

At the time the **bonds** were issued, TermoEmcali was rated BBB by Duff & Phelps and BBB- by Standard & Poor's...

... P concluded that construction risk detracts from the credit quality of the transaction. Although the **bondholders** were protected by liquidated damages of 40% of the EPC contract amount, a \$10 million...



... found the transaction to be well structured with lenders enjoying the benefits of a comprehensive **security** package, but noted that there is no treaty or other agreement between the U.S...

... local--currency revenues in a developing country can be financed out of the box with **bonds** under the right circumstances. In this case, the sponsors were of top quality, Colombia had an investment-grade credit rating, and the alternate standby facility and **debt** service reserve were additional financing tools to bridge timing problems.

Second, it is more efficient to provide a **bond** issue and a standby facility out of the same financial institution.

(Table Omitted)

Captioned as: EXHIBIT 6

Third, **debt** -service reserve facilities require careful risk analysis. Issues include: 1) whether drawdowns under such facilities are subordinated to amounts originally drawn down under a **bond** indenture or term- **loan** agreement, and 2) whether the pricing of those drawdowns should be comparable to subordinated **debt** or senior **debt** , or somewhere in between. Lake notes that in the subordination "waterfall" interest payments and fees rank *pari passu* with senior **debt** . If a payment under a **debt** service reserve facility is delayed, the lenders have the right to raise the status of those overdue obligations to the senior **debt** level. In Lake's opinion, it is important for bankers to understand and properly explain these structures. Generally, for a **debt** -service reserve facility, sponsors are willing to pay a slight spread over the rate for their senior **debt** , but they try to avoid paying subordinated- **debt** prices for such facilities.

Author Affiliation:

THOMAS E. LAKE is a vice president at Dresdner...

16/K,3/4 (Item 4 from file: 15)

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01642576 02-93565

**Innovation and risk in a public-private partnership: Financing and construction of a capital project** in Massachusetts

Bloomfield, Pamela; Westerling, David; Carey, Robert

Public Productivity & Management Review v21n4 PP: 460-471 Jun 1998

ISSN: 1044-8039 JRNL CODE: PBP

WORD COUNT: 5756

...TEXT: publicly funded construction projects in Massachusetts. Soon after the special legislation was enacted, Plymouth County **created** the special-purpose, nonprofit Plymouth County Correctional Facility Corporation (hereafter, the corporation) and executed a...

... May 1992, certificates of participation (COPs)<sup>1</sup> in the amount of \$110,535,000 were **sold** to private investors who will receive principal and interest payments from the corporation over the...

... 3 At the same time, tightened restrictions on the state's ability to issue general **obligation** debt had tabled plans to build new correctional facilities with general **obligation** financing in Plymouth County and

elsewhere in Massachusetts. Leasing prison space from the county would a private venture requiring no **obligation** of public funds, Massachusetts taxpayers are contractually obligated to pay the entire cost of financing ...

... governmental jurisdiction's creditworthiness (Johnson & Mikesell, 1994; Wallison, 1996). Thus, although the state's contractual **obligation** is not legally defined as debt, the state's failure to fund the lease payments...

...law.6

The method used to finance the Plymouth facility was costly relative to general **obligation** debt. The Plymouth facility cost \$72.7 million<sup>7</sup> to design and build, but the total...

... be attributed to the method by which the project was financed. In comparison with general **obligation** financing, the Plymouth facility financing carried a higher interest rate, entailed substantially higher closing costs,<sup>8</sup> and required a higher overall **loan** amount.<sup>9</sup>

A 1994 analysis prepared by the state's Executive Office for Administration and Finance compared the costs of general **obligation** financing and lease-purchase financing for a hypothetical \$50 million tax-exempt project. The state...

... lease-purchase financing were 4% to 5% higher than the interest costs for a general **obligation** financing at that time and that the issuance costs for lease-purchase financing were triple those associated with general **obligation** financing. The analysis concluded that lease-purchase financing, as of 1994, was 7.4% more expensive than conventional general **obligation** financing.

#### Project Design and Construction

The fast-track, design-build process restricted the owner's...rate than the state's debt service, despite the lower interest rate on the general **obligation** bonds. The Plymouth County Correctional Facility, operated by the Plymouth County Sheriff's Department, represents...

...at all, for a correctional facility designed, built, and financed by the state using general **obligation** debt.

Project timetables disseminated by the participants understated the actual designbuild schedule by 16 months...

... disclosure (Basile Baumann Prost & Associates, 1992; Lemov, 1992). For most projects, a competitive general **obligation** bond sale is likely to produce the lowest financing costs. In general, there is no...

... for using lease-purchase financing for a capital project that can be financed using general **obligation** debt (DeWitt, 1986b).

As with most service procurements, competition is key to cost-effective, designbuild... risks to the public. Identifying and minimizing these costs and risks is the responsibility and **obligation** of public managers and policy makers at every level of government.

In summary,

lease-purchase...

... a debt service reserve fund. Although the state is required to make payments on general **obligation** bonds during construction, the cost of financing these payments would not approach the \$23.2 million cost of financing the capitalized interest fund required for the Plymouth facility. A general **obligation** bond issue would not require the \$5.1 million debt service reserve fund required for...Certificates of Participation

Appendix:

Lease-purchase financing allows governments to fund capital projects without issuing **bonds**. For large projects, private investors may purchase COPs, a variant of lease-purchase financing described...

... But as a COP, the lease takes a form much like that of ordinary municipal **debt**, thus allowing access to broader long-term capital markets. In a typical arrangement . . . the government...

... the lease payments . . . cover the principal and interest payments associated with the construction or acquisition **loan**. (p. 46)

Appendix:

Unlike **debt** service on government **bonds**, the lease payments used to repay the COP holders are subject to annual appropriation and...

...capital expenses. (Wallison, 1996.)

Because lease-purchase agreements are structured to avoid being characterized as **debt**, they often enable governments to avoid rules intended to restrict **debt** issuance (Amdursky & Gillete, 1995). The flexibility offered by lease-purchase financing can thus be advantageous to governments whose ability to finance capital projects has been hampered by statutory **debt** limits or voter unwillingness to approve new **bond** issues (Johnson & Mikesell, 1994). Reduced red tape is another **selling** point: An "attractive feature" of COPs, according to Basile Baumann Prost & Associates (1992), is that...

... Mikesell, 1994), the interest rate on COPs is higher than the interest rate on government- **backed bonds** because COPs are not **backed** by the full faith and credit of the government. In comparison with general **obligation bond** financing, lease-purchase financing requires a higher overall **loan** amount to pay for capitalized interest and **debt** service reserve requirements; issuance costssuch as fees charged by **bond** counsel, financial advisors, underwriters, and other firms participating in the transaction-also tend to be...

16/K,3/5 (Item 5 from file: 15)  
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01557555 02-08544  
U.C.C. Article 9: Recent developments  
Weise, Steven O  
Business Lawyer v52n4 PP: 1591-1627 Aug 1997  
ISSN: 0007-6899 JRNL CODE: BLW  
WORD COUNT: 18256

...TEXT: GENERAL

Article 9 applies "to any transaction (regardless of its form) which is

intended to **create** a security interest in personal property."2 U.C.C. section 1-201(37) defines "security interest" as "an interest in personal property . . . which secures payment or performance of an **obligation** ."3 This emphasis on function over form presents material risks to a party failing to...

... Ameritrust Co. v. White,<sup>4</sup> an investor in a partnership signed a note evidencing an **obligation** to pay for his interest in a limited partnership. The note was later assigned to...

...<sup>6</sup> The court held that the forfeiture clause constituted a "condition" to the maker's **obligation** to make payments because the holder of the note might exercise the forfeiture right and...

...note to stop making payments.<sup>7</sup> The forfeiture provision appears to be an attempt to **create** a security interest. As such, the note should be considered unconditional under former U.C...

... a transaction subject to Article 9 even though it is not a transaction "intended to **create** a security interest in personal property" under U.C.C. section 9-102(1)(a)...

...interest. The court erred by applying the "significant" transfer test to a transaction involving the **creation** of a "security interest" as opposed to a "sale" of accounts. The automatic perfection rules...The court correctly refused to consider the intent of the parties or the lessee's **obligation** to pay taxes or fees. The court properly applied the definition of "security interest" as...

... 9, it does not exclude a lien on personal property in favor of a landlord **created** by contract.<sup>31</sup>

CONSIGNMENTS AND OTHER SCOPE QUESTIONS  
U.C.C. section 9-104 excludes...

... a security interest in the client's tort claim as collateral for the client's **obligation** to pay the law firm's fees. The client entered a bankruptcy proceeding and attacked...

... in a tort claim from the coverage of Article 9. This would have taken the **creation** and perfection of the security interest outside of Article 9 and placed it under the...

...void.<sup>38</sup>

In the much criticized decision in National Peregrine, Inc. v. Capitol Federal Savings & Loan Assoc. of Denver (In re Peregrine Entertainment, Ltd.),<sup>39</sup> the court held that a secured...designed as a security agreement and the assignor assigned only enough royalties to satisfy its **obligation** to the assignee. Nevertheless, the court treated it as an "absolute" assignment.<sup>42</sup> The court...

... interest to be enforceable, the debtor must have signed a security agreement: a writing that " **creates** or provides for a security interest"<sup>49</sup> and that "contains a description of the collateral..."

... financing statement standing alone (i.e., with no language added to the standard form that " **creates** or provides" for the security interest) will not suffice as a security agreement.<sup>52</sup> Under... of whatever nature to Bank."<sup>74</sup> The court held that the security interest secured another **loan** transaction completed on the same day.<sup>75</sup> The court made some unfortunate

references to "dragnet..."

... to assign the perfected security interest to the holder's pension plan to secure a **loan** made by the pension plan to the same debtor. The court held that a secured...

...perfected security interest to secure those claims.<sup>83</sup>

In *Sonnier v. Boudreaux*,<sup>84</sup> one individual **sold** a car to another. The buyer signed a retail installment contract in a form used...

... C. section 1-201(44) defines "value" to include making a commitment to make a **loan**. In *Press Products, Inc. v. Geary*,<sup>87</sup> the court held that a commitment could not...

... of the debtor's rights in the collateral. The security interest of a purchase money **seller** of cattle, who retained possession of the cattle to feed them, was challenged by a...

...the collateral" to which the security interest could attach.<sup>92</sup> The court held that the **seller**'s possession of the cattle sufficed to perfect a security interest in the collateral under...

... the purchase money secured party perfected by possession.<sup>95</sup> The court could have protected the **seller**'s U.C.C. section 9312(3) superpriority on the basis that the requirement of...interest.<sup>96</sup> That conclusion, however, was unnecessary in view of the better argument that the **seller**'s purchase money security interest had priority.

#### CLASSIFICATION OF COLLATERAL

The proper classification of collateral...

...Article.

In *In re Barr*,<sup>100</sup> a debtor signed a security agreement providing for the **creation** of a security interest in "general intangibles." The debtor owned a "capital credit" in an...

...under U.C.C. section 9-106, which refers to rights to payment "for goods **sold** or leased."<sup>114</sup> Instead, the rights to payment under a license constitute a "general intangible..."

...A reference to "all assets" or "all personal property" has been held too broad to **create** a security interest in particular property on the ground that it does not reasonably identify...

...<sup>126</sup>

The court in *Michigan Tractor & Machinery Co. v. Elsey*<sup>127</sup> considered a security agreement that **created** a security interest in amounts "due and owing" to the debtor. A dispute arose over...the exclusion of deposit accounts from collateral covered under Article 9 does not prevent the **creation** of a common law lien on a deposit account. Two decisions tried to apply a...

... a perfected security interest in an account maintained at the bank. It later assigned its **loan** and security interest to another lender. The court held that the assignment itself, which included...

...a perfection by notice procedure applicable in Louisiana.<sup>140</sup>

The Article 9 Draft permits the **creation** of a security interest in a deposit account. Under the Article 9 Draft, the secured 154 a secured party made a **loan** to a borrower named "E. Strong Oil Company." The secured party completed the financing statement...

...completed all payments under the lease and then purchased the equipment. The lessee wanted to **sell** its business and asked the lessor to terminate its protective financing statement. Notwithstanding numerous demands...

... termination statement and the sale fell through. The court held that a secured party's **obligation** to terminate a financing statement under U.C.C. section 9-404(1) also applies...held that these statutory liens had priority over the rights of a secured party who **sold** the debtor's business at a foreclosure sale. In Belden v. Hambleton, 90 the unpaid...

... Aguiluz, 191 the court held that a lawyer with notice of a client's contractual **obligation** to indemnify the client's health-care provider from the proceeds of any settlement or... answer to that question is "no." 210

The substantive rules of Article 9 (e.g., **creation** and perfection) do not apply to rights of set-off. 211 The exclusion of set...  
...in the goods to secure the return of the payments she had made to her **seller** (the borrower). The court held that the first secured party's security interest had priority...

... secured party, whose security interest would reattach only when she revoked her acceptance and her **seller** reacquired title. 216

Under U.C.C. section 9-306, a security interest continues in...

...statutory language.

In HCC Credit Corp. v. Springs Valley Bank & Trust Co., 218 the debtor **sold** collateral in which a lender had a senior security interest and used the proceeds of...the loss of purchase money status. 224

In Port Distributing Corp. v. Pflaumer, 225 the **seller** of a beer distributorship obtained a "purchase money security interest" in the distributorship's distribution...

... someone who was aware of the security interest granted by the original buyer. The original **seller** did not perfect the security interest against the original buyer until after the resale and more than 20 days after the original sale. The court held that the **seller** should have perfected his purchase money security interest within 20 days after the initial sale...

...4), to establish purchase money superpriority. 226 As a result, the court held that the **seller**'s security interest did not gain purchase money superpriority and the security interest therefore was...

...purchases from the retailer and, thus, the retailer had a "blanket" lien on all goods **sold** to the customer, which the court held was inconsistent with having a purchase money security...

...interest. 237

In Sony Corp. v. Bank One, West Virginia, Huntington NA, 238 the original **seller** **sold** goods to a buyer. That buyer in turn resold the goods to a second buyer...

... its secured party who had a security interest in that deposit account. When the original **seller** and the secured party disputed the right to those ...or before delivery" was intended to apply to circumstances where the payment occurred "without the **creation** of an intervening account to which conflicting rights might attach."240 The court held that...

... not in fact occur "on or before delivery," the purchase money priority of the original **seller** still extended to those proceeds.241 The court went on to hold that, applying the lowest intermediate balance rule, the original **seller** could trace the identifiable cash proceeds into the bank account.242 The dissenting opinion has...

...had a right to a discount if it paid within three days, it had no **obligation** to pay immediately or within three days. Finally, the court simply ignored the plain language...

...C.C. section 9-318(3), an "account debtor" (such as an insurer) has no **obligation** to pay a secured party unless the secured party has notified the account debtor that...

...Inc.,263 the debtor received proceeds of collateral subject to a secured party's perfected **security** interest and placed the funds into a separateware not commingled with any other funds of the debtor. The debtor then transferred the deposited proceeds to its counsel as a "**security** retainer." The court held that, because the proceeds were "identifiable," the secured party's **security** interest continued perfected in the funds in the hands of the debtor's law firm...uniform U.C.C. section 9-302(1)(g), a secured party may obtain a **security** interest in a deposit account as original collateral and may perfect that **security** interest by giving notice "of the **security** interest" to the depository. In ITT Commercial Finance Corp. v. Tech Power, Inc.,266 the...

... give notice and was not perfected. The court permitted a different secured party with a **security** interest in inventory to "trace" the proceeds of the inventory into the bank account by...

... take possession of the collateral.271 In Cofield v. Randolph County Commission,272 neither the **security** agreement nor any related documents defined the word "default." The court held that the parties...

...peace."275 In Robinson v. Citicorp National Services, Inc.,276 a secured party with a **security** interest in a car hired a third party to repossess the car. During repossession efforts...

... wife brought an action for wrongful death. The court held that the secured party's **obligation** to repossess without a "breach of the peace" was nondelegable and that the secured party...

... in Chrysler Credit Corp. v. Koontz.278 There, an individual fell behind in his car **loan** payments and the secured party sent a reposessor to repossess the vehicle that was parked...

...AND OTHERS AS A "DEBTOR"

Many courts have considered whether a guarantor of a secured **obligation** is a "debtor," defined under U.C.C. section 9-105(1)(d) as a "person who owes payment or other performance of the **obligation** secured."283 Most decisions have given the guarantor the benefits of "debtor" status, including the...

...a deficiency claim from that debtor.<sup>29</sup>

#### RETENTION OF THE COLLATERAL IN SATISFACTION OF THE **DEBT**

In *Four Queens Enterprises, Inc. v. ...* propose retaining collateral should not be deemed to have retained collateral in satisfaction of a **debt**.<sup>292</sup> Instead, a court should determine under U.C.C. section 9-504 whether the...

... commercially unreasonable period of time, taking into account the fact that secured parties have no **obligation** to foreclose.<sup>293</sup> The Article 9 Draft explicitly rejects the notion of an implicit retention...

... *Motors Acceptance Corp. v. Clifton-Fine Central School District*,<sup>298</sup> a secured party with a **security** interest in accounts notified an account debtor of the assignment of the account and instructed...

... *Charles E. Brauer Co. v. NationsBank of Virginia, NA.*,<sup>300</sup> a secured party had a **security** interest in its debtor's inventory. When the debtor defaulted, the debtor found persons interested in buying the inventory and proposed that the secured party foreclose on the inventory and **sell** it to those two entities, crediting the debtor with the purchase price. The secured party...

...of commercial reasonableness.<sup>304</sup>

In *NationsBank v. Clegg*,<sup>305</sup> the debtor granted a bank a **security** interest in his car. The debtor advised the bank that he could not make any...

... use of the collateral during the thirteen-month period and a secured party has no **obligation** to **sell** collateral at all following a default. Once a secured party does decide to **sell**, however, it must act in a commercially reasonable manner.<sup>307</sup>

In *Acuff v. Lamesa National*...

...a note and one of them provided collateral. When the person who actually received the **loan** proceeds failed to pay the note, the other co-signer, who had provided the collateral...

... one of the co-obligors had voluntarily surrendered the collateral in partial satisfaction of the **debt**.<sup>309</sup> Alternatively, the court could have held that the second signer was in reality a guarantor. As such, the person who received the **loan** proceeds (the first signer) would have no defense to a deficiency judgment based upon its...

...the secured party directly or the guarantor through subrogation) for the full amount of the **debt**. This differs from the policy analysis justifying the guarantor's right to notice of a...enforcing its rights against the buyer of the collateral, who defaulted on its own secured **obligation** to the secured party arising out of the foreclosure sale, could not be deducted from...

...*Inc.*,<sup>316</sup> where the court held that, when the secured party forecloses on collateral by **selling** the collateral on credit, the original debtor is entitled to a credit in the full amount of the **debt** owed to the secured party by the buyer at the foreclosure sale, even if that...

... debtor. The potential buyer made a deposit with the secured party and exchanged drafts of **security** agreements and other documents pursuant to which the secured party would finance the purchase from...

... by the potential buyer. Later, the debtor found someone to purchase the secured party's **security** interest and the secured party **backed** out of



the "deal" with the original proposed buyer. The court held that Article 2 ...C.C. Rep. Serv. 2d (CBC) at 701. The absence of a description of the **obligation** secured could permit a dispute as to which **obligation** to the secured party the debtor has secured.

Footnote:

25. 196 B.R. 574, 30...

...C.C. Rep. Serv. 2d (CBC) 668 (Pa. Super. Ct. 1996). A lender made a **loan** to a debtor. Four years later, the lender made another **loan**. In connection with the second **loan**, the debtor signed a security agreement securing "all indebtedness" of the debtor to a secured...

... need to refer to any specific debt and that it could perfect a security interest **created** to secure the original **loan**. Id. at 803-04, 30 U.C.C. Rep. Serv. 2d (CBC) at 673. In...a security interest by notice to a third party in possession is also sufficient to **create** the security interest); Deposit Guar. Bank v. Hall, 741 F. Supp. 1287, 13 U.C...307(1), "[a] buyer in ordinary course of business . . . takes free of a security interest **created** by his **seller** even though the security interest is perfected and even though the buyer knows of its...C. Rep. Serv. 2d (CBC) 389 (D. Colo. 1995) (finding that a guarantor of secured **obligation** is a "debtor" for purposes of applying the protections afforded to debtors under the default...

16/K,3/6 (Item 6 from file: 15)

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**Corporate loans fuel new ABS boom**

Anonymous

Euroweek n517 PP: 13 Aug 29, 1997

ISSN: 0952-7036 JRNL CODE: EUW

WORD COUNT: 619

ABSTRACT: The market in corporate **loan backed** securities is gathering speed and is rapidly becoming the growth sector in the ABS universe. The Euromarket's 2 secured transactions this week - Lehman Brother's Commercial **Loan** Funding Trust I and Mardon Underwriting (No 1) Pty. Ltd., led by Sanwa - both repackaged...

TEXT: THE market in corporate **loan backed securities** is gathering speed and is rapidly becoming the growth sector in the ABS universe. The Euromarket's two secured transactions this week - Lehman Brothers' Commercial **Loan** Funding Trust I and Mardon Underwriting (No 1) Pty Ltd, led by Sanwa - both repackaged corporate loans.

Lehman **sold** approximately \$863m of notes secured on a portfolio of high-yielding US commercial and industrial...

...non-bank lender into 65bn (\$555m) of guaranteed FRNs.

The spotlight is on US corporate **debt**, partly because most large and medium sized American companies are rated.

SBC Warburg's \$1...

... loans, reported in Euroweek 516, could be beaten to the finishing line

by a \$3bn **bond** from NationsBank.

A US banker said that the latter deal would roadshow next week and...

... participants believe that the Long-Term Credit Bank of Japan is also close to a **securitisation** of US assets.

The Mardon repackaging is shrouded in confidentiality. Sole manager Sanwa International would not reveal the identity of the Australian non-bank lender which originated the **loan** portfolio, or the names of Mardon's owners, a group of Australian lenders.

Sanwa helped...

... a 60bn issue in May this year which is virtually identical to this week's **bond**. The two may be fungible - both mature on June 12, 2004 and pay 10bp through...

...year.

The latest transaction was launched on Friday and Sanwa expected all the paper to **sold** by or shortly after Tuesday's pay date.

The deal was unrated as the underlying...

...launch another Mardon issue in the second quarter of 1998. Lehman bought its high-yielding **loan** portfolio from Nippon Credit Bank in a bidding competition and **created** a new shelf; Commercial **Loan** Funding Trust, to issue a collateralised **loan obligation**. A sales official said: "We could have **sold** the loans by themselves, but we got better execution from a regular CLO."

The deal matures in August 2005 and comprises five tranches of varying average lives. Two were **sold** publicly: \$420m of senior notes rated Aaa by Moody's with an average life of...

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**New themes are here to stay**

Stewart, Jules

Euromoney n339 PP: 129-134 Jul 1997

ISSN: 0014-2433 JRNL CODE: ERM

WORD COUNT: 1813

**ABSTRACT:** Asset- **backed** transactions are growing fast in Europe and are beginning to take off in other non...

... markets. US volumes are unlikely to be matched, but innovative structures such as NatWest's **loan** securitization and Bank of Scotland's retail mortgages have been devised that could be applied...

... in the pipeline or already on the books in European countries to allow for asset- **backed** securitization, more jurisdictions are expected to have recourse to this source of issuance. New legislation...

**TEXT:** Headnote:

Asset- **backed** transactions are growing fast in Europe and are beginning to take off in other non...

...markets. US volumes are unlikely to be matched but innovative structures such as NatWest's **loan securitization** and Bank of Scotland's retail mortgages have been devised that could be applied more widely. Jules Stewart looks at these and other recent developments

Asset- **backed securitization** (ABS) took off in a big way in Europe last year, with the value of...

... as countries in Europe and elsewhere are beginning to put enabling legislation into place, but **securitization** teams don't expect the boom to rival levels in the us, where issuance last...

... s outstanding volume is about \$360 billion, equivalent to nearly 80% of the total German **bond** market.

"There will be a continuing increase in the market but I do not anticipate

... to five multi-billion dollar transactions a year," he says. Karl Essig, head of international **securitization** at Morgan Stanley, agrees that it would be difficult to match the aggregate total volume...

... developing and growing. I think we saw in 1996 the beginning of a trend of **securitization** as the currency of acquisition finance. This theme is here to stay."

Innovative transactions

Essig...

... 6 billion (\$2.6 billion) property deal by the UK's Ministry of Defence, which **sold** 58,000 homes rented to service personnel in a transaction partly financed by L903.8 million in **bonds** via a special purpose vehicle (SPV) called Annington Finance No 1. The **bonds** received an AAA rating and a 20% risk weighting as the rental income from the housing has an implicit government guarantee.

Another deal that followed the trend was the **securitization** of lease rentals due to rolling stock leasing company Porterbrook from UK train operating companies...

... the acquisition of Porterbrook by bus and rail operator Stagecoach. The L545 million deal comprised **bonds** issued in five tranches with an AAA rating and a 20% risk weighting for capital-adequacy purposes.

"Three or four years ago **securitization** was a novel technique in Europe," says Irene HoMoore, a director in Standard & Poor's...

...accommodate it." Ho-Moore says that after last year's ground-breaking \$5 billion assetbacked **securitization** by NatWest bank, there have been "numerous enquiries" from banks wanting to do the same...

... last year there were a number of innovative transactions in the market. "A lot of **securitization** was used in ways it had not been used before, in areas such as acquisition finance and corporate restructurings," she says.

NatWest's Rose **securitization** was the most prominent asset- **backed** transaction last year because of its innovative nature and size. The floating-rate note (FR) issued through this spy **securitized** 200 of the

bank's investmentgrade loans, the first public **securitization** of its kind. NatWest set up Rose to issue sterlingand dollar-denominated FRNs in the...

... well as in the us 144A private-placement market. NatWest held a global roadshow to **sell** the deal, 40% of which was placed with us investors.

"We have since had approaches...

... 30 institutions looking to do something similar," says Andy Clapham, NatWest Markets' head of asset **securitization** . "It **created** a new market, a new way of looking at corporate lending. It will probably be...

...he says.

Others were less impressed by the deal. Guy Fletcher, B's head of **securitization** for Europe, said Rose stimulated a lot of interest from banks considering freeing up regulatory capital with similar collateralized **loan obligation** (CLO) techniques. But he adds: "There are doubts whether much economic capital is released, the key is the disposal of subordinated and particularly unrated **securities** . Many are not yet convinced that there is a tangible benefit in such a transaction...

... CLO technology for targeted balance sheet and portfolio management purposes."

Andrew Allan, head of asset- **backed securitization** at Salomon Brothers in the UK, says it is important to ask why someone would want to **securitize** in Europe. "One of the main reasons is that shareholders are starting to wake up...

... that have not been achieving optimum returns on shareholder capital. So one way to use **securitization** is to downsize the balance sheet and reinvest the capital in a more efficient manner countries to allow for asset- **backed securitization** , more jurisdictions are expected to have recourse to this source of issuance. Belgium has enacted...

... them to be used for private transactions. Germany is expected to issue guidelines shortly for **securitization** by credit institutions, and the Dutch central bank is in the course of establishing a framework for **securitization** by Dutch banks.

#### Freeing up capital

New legislation in Spain, where until recently only mortgages could be **securitized** , enabled Morgan Stanley and Bear Stearns to bring to market one of the biggest deals...

... deal, a transaction that raised Pta715 billion (\$5 billion) for four Spanish utilities. The deal **securitized** the compensation rights of utilities whose nuclear power stations were ordered to close by government decree. The transaction was structured into three sequential floating-rate tranches including a **bond** and two syndicated- **loan** tranches that were **sold** into the Spanish market. Two of the utilities, Iberdrola and Sevillana, which accounted for about 98% of the transaction, were able to reduce by half their leverage ratios and the **securitized debt** was not consolidated into the Kingdom of Spain's budget.

"The next logical step would be for Spanish banks to **securitize** consumer loans," says Allan of Salomon Brothers in London. "This would help with their balance..."

... Morgan Stanley also joint-lead-managed the Cyber-Val transaction, the

single largest European asset- **backed bond** offering to date, involving the **securitization** of a Ffr40 billion (\$6.9 billion) first priority on a Ffr14s billion **loan** between Credit Lyonnais and EPFR, a French government restructuring vehicle. The deal forms part of...

...French government to EPFR.

The same bank acted as adviser and lead underwriter for the **securitization** of 229 aircraft valued at \$4.5 billion for Irish leasing company GPA. The transaction...

...and fund managers felt they could not afford to be left out of it."

Asset- **backed securitization** of credit cards has provided another funding vehicle in Europe which at the same time...

...followed, including Morgan Stanley's Dutch guilder and Deutschmark deals which repackaged Citibank credit card **debt**. Credit-card issuer MBNA recently did a 10-year Dutch guilder transaction. In the us...

...These credit-card structures were triple-A and this investor group found value in these **bonds** compared with other triple-A **bonds**. Creditcard issuers are gaining access to a new group of investors and are therefore reducing their dependence on the existing asset- **backed** investor base."

Problematic placement Last year the international credit-card market made approximately \$47 billion...

...it's on track to be roughly the same. Hence, as a head of assetbacked **securitization** at a London bank says: if you keep coming to the market with this size...

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**Corporate Pensions and Government Insurance: Deja Vu All Over Again?**

Abken, Peter A.

Economic Review (Federal Reserve Bank of Atlanta) v77n2 PP: 1-16 Mar/Apr 1992

ISSN: 0732-1813 JRNL CODE: ECR

WORD COUNT: 10317

...ABSTRACT: liabilities in the defined benefit pension system stood at \$40 billion. Since the PBGC's **creation**, the agency has had to take over 1,600 pension plans involving 300,000 participants...

...TEXT: s operations and the growing concern that taxpayer funds may be needed to fulfill its **obligation** as guarantor of private pension claims. The article concludes with a discussion of the similarities...

... in stocks, bonds, and other assets in order to pay for or fund its pension **obligation**, the liability item on the balance sheet. The actual value of future pension obligations is...

... levels, employment levels, retirement ages, and life expectancies. The firm's ability to meet the **obligation** also depends on the expected rate of return on its investments, not just on its...and substituting another plan (for example, a defined-contribution plan) or otherwise paying off its **obligation** by making lump-sum payments to plan participants (usually then

rolled over into Individual Retirement...

...the value of a firm's right--or option--to shed itself of its pension **obligation** by shifting it to the PBGC. The Single Employer Pension Plan Amendment Act (SEPPAA) of...

...will be discussed below.

#### PENSION PLAN TERMINATIONS AND THE PBGC DEFICIT

Since the PBGC's **creation** in 1974 the agency has had to take over 1,600 pension plans involving 300... of a standard options-based analysis. An option contract conveys the right, but not the **obligation**, to buy (call option) or **sell** (put option) an underlying asset at a specified price (the strike or exercise price) at...

... is received for a short position in the put; that is, plan participants have effectively **sold** a put to the plan sponsor by taking part in the pension plan. The plan...

... The decomposition of the pension surplus also holds any time before maturity of the pension **obligation** by appealing to the standard put-call parity relationship (Robert C. Merton 1973).(17) The...cash accounting to accrual accounting proposed in the Bush Administration's Economic Growth and Job **Creation** Act of 1992, which includes a number of provisions to reform pension insurance.(20)

The...

... would be to privatize pension insurance. Ippolito (1986) has proposed a system of private insurance **backed** up by federal government reinsurance. The premium structure for pension insurance would be established in and **Loan** Insurance Corporation (FSLIC), whose role as deposit insurance agency has been assumed by the Savings...

... event that a depository institution (hereafter simply referred to as a bank) fails. The insured **debt obligation** of a bank is a deposit with which a bank acquires assets--loans and **securities**. Merton notes that although bank deposits have no fixed maturity, the term of deposit insurance...

... insurance is effectively a put option held by the bank, giving it the right to **sell** its assets for D dollars to the FDIC. The terminal payoff of this put is...

... Expected returns on the assets can be increased by making riskier loans or buying riskier **securities**, with the downside risk borne by the FDIC. The increased value of the put (with...

... better investment performance of the pension assets. For example, funds may choose investments in foreign **securities** to hedge the economic risks of a deterioration in the domestic economy and in the...sponsors, not from a deterioration in the assets backing the pension liabilities. Cash flow problems **created** by poor sales or lagging productivity, for example, force plan sponsors to curtail pension contributions...

... decade (see Munnell 1982, 41-42), and PBGC net-worth deficits have persisted since its **creation**. The biggest questions are whether legislators have learned from the deposit insurance debacle and whether...

... An integrated defined-benefit plan establishes retirement benefits that

target the combined payments from Social **Security** as well as from the private pension plan. A defined-contribution plan provides for periodic...

... on his or her behalf, typically allocating contributions among alternative investments in stock mutual funds, **bond** mutual funds, money market funds, or combinations of these. The defined-benefit pension plans nationwide...4 (Spring 1973): 141-83.

--. "An Analytic Derivation of the Cost of Deposit Insurance and **Loan** Guarantees: An Application of Modern Option Pricing Theory." Journal of Banking and Finance 1 (June...

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**The doomed flight of the Northwest LBO**

Picker, Ida

Institutional Investor v27n4 PP: 33-42 Apr 1993

ISSN: 0020-3580 JRNL CODE: IL

WORD COUNT: 5880

...ABSTRACT: of a \$600 million revolving credit line, used up \$270 million in Metropolitan Airport Commission- **backed** bonds, canceled delivery of \$3.5 billion worth of Airbus planes, and laid off 3,100 employees. Only drastic emergency measures and a **loan** of \$250 million from suppliers and lenders were keeping the airline aloft as of mid...

...TEXT: Wings Holdings, would be done "in the most conservative sense possible," that is, without junk **bonds** "or any of that nonsense." When officials of the airline's unions voiced concern that an LBO would heap too much **debt** onto NWA's balance sheet, Checchi told them that he was simply the best deal maker in the country and that, trust me, **debt** had an esteemed place in the new age of corporate finance. " **Debt** is our friend," Checchi vowed. The proper role of business? Well, he declared, it's...

... future. Northwest would expand its fleet and its routes. Lots of good jobs would be **created**. Minnesotans fell in love with the tall, convincing fellow from out of town.

SEAL OF...

... LBO and a few months before the aborted United Airlines buyout that devastated the junk **bond** market. Conceived by Checchi along with Gary Wilson, then chief financial officer of Walt Disney...

...oblivious to the growing imbalance between income and expenditures.

The \$3.1 billion in bank **debt** that Checchi and Wilson had loaded onto the airline proved to be too heavy. By...

... of a \$600 million revolving credit line, used up \$270 million in Metropolitan Airport Commission- **backed bonds**, canceled delivery of \$3.5 billion worth of Airbus planes and laid off 3,100...

...state worsened, Northwest could not access the capital markets.

Only drastic emergency measures and a **loan** of \$250 million from suppliers and lenders were keeping NWA aloft as of mid March...Marriott Corp. in the 1970s to mid-1980s, he masterminded a vast expansion based on **selling** off

new hotels to investors, leasing them back and financing construction of more through limited...

... earnings, since Marriott collected fees from the limited partners, but it also quintupled Marriott's **debt**. In time--after Wilson had moved on to Disney--his strategy backfired when the real estate market collapsed. Marriott was left with too many hotels it couldn't **sell** and onerous obligations to the limited partners, prompting it to propose its controversial corporate breakup...

... What's more, he stressed that Wings's proposed financial structure involved absolutely no junk **bonds** --and a \$700 million equity component. The last claim was a trifle misleading. Only \$250...

... rest was to consist of preferred shares, which would saddle the buyout with a virtual **obligation** to meet a debt-like schedule of payments (though some of the preferred dividends were...

... redeemable in 1998 and 1999). And though Checchi was correct that the deal shunned junk **bonds**, it relied on a crippling \$3.1 billion in additional bank debt. The sales spiel...to be linked.

The reckoning of where Wilson and Checchi went wrong begins with their "**debt** is our friend" philosophy. Even now, Wilson defends his reliance on leverage: "**Debt** is the cheapest form of financing. It's prudent to have **debt** on the balance sheet. It's cheaper than equity." Considering the pair's attitude, it...

... about finding what Wilson describes as "an unleveraged airline in a leveraged industry." Of course, **debt** is cheaper than stock much of the time; interest payments, unlike dividends, are tax-deductible...

... shareholders grumble; suspend interest payments and bankers declare you in default.

Wilson and Checchi's **debt** credo led them to take a leap of faith to justify inadequate cash flow. By...

... Continental or Midway airlines. The bankers moaned that any such moves would pile yet more **debt** onto NWA's balance sheet, but they despaired of changing Checchi's ways.

Wilson wasn't...At the November 6, 1992, meeting called by Checchi and Wilson to request the emergency **loan** of \$250 million, many bankers were shocked to discover how little they really knew about...

... bankers was further widened by their continual efforts to squeeze down the already low senior- **debt** rates. When the two co-chairmen claimed that NWA's net worth had climbed to...

... that should have triggered a slight reduction in interest rates on the airline's bank **loan**, the bankers disputed the figures and refused to lower the rate. Wilson and Checchi's...

... In any event, on April 8, 1991, Governor Carlson wrote NWA a letter promising attractive **bond** financing **backed** by state and local authorities if the airline would build two maintenance facilities in northern...

... sites out of state. Checchi made it clear that he expected more than just the **bond** financing in return for locating the bases in Minnesota; he



also wanted the state to back **bonds** to provide cash for NWA's operations. As he'd put it to the Minnesota...

... airline failed, the state would have to contend with thousands of unemployed airline workers.

The **bond** facility, at first proposed for a breathtaking \$800 million--a figure unheard-of for a Minnesota public issue--evolved into two smaller tax-exempt **bonds**. One, for \$320 million and **backed** by the AAA-rated MAC, was for Northwest's general corporate purposes--that is, unrestricted ...

... the citizens of seven surrounding counties would be taxed to make good on NWA's **obligation**. The unrestricted issue was to be followed at some unspecified point by a \$350 million **bond** issue for building the bases in Hibbing and Duluth. The preliminary vote on the **bonds** was scheduled for June 1991.

GUCCI MUGGERS

That spring an intensive lobbying effort got under...

...Johnson, chairman of the tax committee.

The tone wasn't always friendly. Proponents of the **bond** issues told "those of us who opposed the bill that we were politically dead" in...state senator Don Frank, who was accused by NWA partisans of foot-dragging on the **bond** bill in his metropolitan-affairs committee, says he was appalled that Checchi and Wilson "refused..."

... But he was sworn to secrecy. Merriam nevertheless squawked in protest against passage of the **bond** bill. "I was startled to read the financial statements and find out how thinly capitalized they were," he says. "I told my colleagues this is not a bankable **loan**." But his protests were undermined by his inability to back them up with hard numbers...

... by about 70 percent in each house; a no vote would have effectively killed the **bond** issues.

For the binding vote on the **bond** issue that was to come in December, Northwest hired Price Waterhouse and the Arvai Group...

... was "highly leveraged and thinly capitalized." Expenses were growing faster than revenues. Paydown of bank **debt** was only moving the liabilities off the balance sheet to sale/leaseback transactions. And common...

... call. "What are your intentions, Mr. Checchi?" he asked. "They say you're going to **sell** us out, get the MAC money and run." During the hour Checchi spent chatting, Samuelson...

...you we should get a gun, Dad."

That month the \$320 million, 30-year MAC **bond** issue passed. Early in 1992 Northwest received \$270 million and used half to pay down bank **debt** and the rest to keep its operations afloat. The MAC authority put the remaining \$50 million in a separate account for meeting interest payments, just in case. The second **bond** issue, dedicated to building the bases, was not yet scheduled for a vote.

The emergency...

... the objections raised by the banks, Wilson drove a hard bargain. He got the emergency **loan** , due January 4, 1994, at a floating rate starting at 5.5 percent. The contributors: ... a game of semantics, NWA treasurer Francht insists the \$250 million was not an emergency **loan** at all, but merely a "new facility." Then why the rushed deadline? "We didn't...

...running out of money," says Francht.

NWA's new austerity regime, a precondition for the **loan** , entailed canceling the Airbus order, postponing delivery of 44 Boeing planes, delaying some interest and...

... bases look doomed. In January State Senator Berg introduced a bill to rescind the capital **bond** issue. Checchi, however, insists that Northwest has been speaking to "foreign investors" about funding the...

... forgo maintenance bases. But it needs the concessions before it can reschedule the \$250 million **loan** (due next January) as well as previous loans from suppliers amounting to \$730 million. Wilson...

...excellent shape." By his account, the airline, even with its crushing \$3 billion of bank **debt** , could have weathered the fare wars, the U.S. recession and the ailing Japanese economy...

...hub.)

Gary Wilson is even more adamant that the buyout was basically sound, and that **debt** did not do in NWA. Argues the financier: NWA was in fact able to pay down its \$3.1 billion "low-cost" senior **debt** , to \$1.3 billion, and even if you add in \$700 million in off-balance...

...Wilson's arithmetic is a bit suspect in any event. The \$3.1 billion bank **debt** was at floating rates, so NWA started out post-LBO paying not 6 percent but...

... descend in ensuing years. And although the airline paid off a big chunk of the **debt** , it did so largely by borrowing (MAC- **backed bonds** at 8 percent, for instance) and "refinancing activities," that is, sweeping **debt** off the balance sheet by **selling** planes and leasing them back.

Wilson allows that nearly half of NWA's \$7 billion in total **debt** represents off-balance-sheet liabilities for operating leases. But he points out that this is...

... has "some merit," agrees Standard & Poor's analyst Philip Baggaley. But he says NWA's **debt** and lease burden is magnified by its weaker (or nonexistent) profit margins. "onerous" **debt** -maturity schedule and huge capital needs (to replace an aging fleet and comply with tougher...says, was not to make a fortune--"we're both independently wealthy men"--but "to **create** something of international importance." Maybe. After all, the two could have walked away from NWA...

16/K,3/10 (Item 10 from file: 15)  
DIALOG(R)File 15:ABI/Inform(R)  
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00660800 93-10021

**State and local governments as borrowers: Strategic choices and the capital market**

Hildreth, W Bartley

...ABSTRACT: obtain the lowest cost of capital over the desired repayment schedule. Governmental jurisdictions are not **created** equal in their ability to borrow or in their cost of borrowing; some issuers borrow...

... to designing the bond structure, an issuer has choices in how and when it will **sell** its bonds. Revenue bonds can help issuers sidestep hurdles imposed on general **obligation** borrowing. **Creative** debt instruments help issuers take advantage of changing market demands. Delaying entry into the long...

...TEXT: the market on behalf of their taxpayers.

#### THE BEHAVIOR OF ISSUERS

Governmental jurisdictions are not **created** equal in their ability to borrow or in their cost of borrowing. As political scientist...arbitrage. Furthermore, being able to construct new facilities, with repayment stretched out over several decades, **creates** a sort of fiscal illusion. This helps to explain the propensity for capital projects to...

... of votes to support projects in various districts. Public choice theory postulates strong incentives to **create** debt. Research on governors and their propensity to issue debt confirms that debt issuance occurs...

... but exceptions are possible. For example, the State of Indiana is prohibited from issuing general **obligation** debt yet it enters the capital markets by having several statutory authorities finance infrastructure and ...

... not diversified or growing. This burden to repay requires prospective borrowers to temper their debt **creation** activities. Confirmation that issuers perform some capital rationing and control is the fact that no general **obligation** bonds are known to have defaulted since the Great Depression (Davidson, 1991). The widespread fiscal...issuer receives a penalty for timing a sale in conflict with other issuers, especially those **selling** larger amounts. When competitive bids are due at or near the same time for more...

... to designing the bond structure, an issuer has choices in how and when it will **sell** its bonds, factors that also influence the cost of borrowing.

#### RELATIONSHIPS AND STRATEGIES

Given the...

... following the debt issuance process (i.e., identifying the need, structuring the offering, gaining approval, **selling** the debt, etc.) is one approach. An alternative approach, and the one adopted here, tracks...

... because of the interactions of various participants. A state or local government, as an issuer, **sells** a debt instrument or security to an underwriter (also called an investment banker), who then...  
...semi-annually) and, upon maturity, to repay the principal.

Several other participants enter into the **debt** process. A paying agent (or trustee) serves as the conduit for the flow of interest and principal

payments between the issuer and the investor. A **bond** counsel advises the issuer on how to meet all legal requirements to borrow and provides a legal opinion to the investor that the **debt** instrument meets state and local laws and federal tax law standards. Many governments employ financial...

...private credit rating firms must have an opportunity to pass judgment on the probability of **debt** repayment.

The issuer has an opportunity to influence each participant's actions and decisions. A...

...structural hurdles, issuers utilize several avoidance strategies.

First, to sidestep the hurdles imposed on general **obligation** borrowing, issuers turn to revenue **bonds**. During the 1980s, revenue **bonds** constituted over 65 percent of the yearly dollar volume of municipal **bonds** (Figure 1). (Figure 1 omitted) By the first half of 1992, revenue **bonds** had fallen back to pre-1980 levels but still exceeded the issuance of general **obligation bonds**. Revenue **bonds**, to a much greater extent than general **obligation bonds**, may serve as a strategic tool for municipalities facing fiscal strain or limits (Sharp, 1986...

... special districts and other statutory authorities--often termed off-budget entities--empowered to issue revenue **bonds** without placing at direct risk the taxing capacity, or full-faith-and-credit guarantee. In fact, many off-budget entities serve as "conduits," defined as a governmental issuer of **securities** with an ultimate credit source being a private profit-making or nonprofit organization (Zimmerman, 1991). The revenue **bond** market segment also represents municipalities borrowing in anticipation of future revenue flows (such as collections from nonproperty tax sources such as sales taxes); **debt backed** by planned, but not guaranteed, lease payments (including certificates of participation); and, other **creative security** arrangements.

Second, **creative debt** instruments help issuers take advantage of changing market demands. For instance, where future interest rates... maturities of 20 to 30 years. Issuers who are unwilling to pay the price to **sell** these long **securities** can instead **sell** shorter maturities. Instruments such as variable rate **securities** allow issuers to borrow long but at near short-term rates.

In many instances, issuers have the authority to **sell** yearly **bond** anticipation notes (BANs) as a source of interim financing for capital projects during the construction...

...strategy is to convert the capital financing from short-term notes (BAN) into long-term **bonds**. Issuers may deviate from this expected conversion strategy. Given that short-term rates are historically...

... entry strategy. However, his study did not take into account the situation where the prospective **bond** issuer may be incurring and capitalizing interest costs during the delay period by issuing notes...

... had little interest in knowing who actually held its securities, for several reasons. First, issuers **sell** the security to the underwriter, who then markets them to investors. As a result, the...

...transaction profit (measured in fractions of the total value) by linking the buyer with the **seller**.

A second reason for an issuer's historical inattention to investors is due

to the...investors. A minibond is a small denomination debt instrument (in \$100 or \$1,000 units) **sold** directly to customers. This type of product appeals to retail customers, allowing the borrowing government...

... less costly. For first-time or very infrequent debt issuers, Bland's advice is to **sell** "bonds through competitive bidding in order to avoid the heavy penalty placed on inexperience if...

... A financial advisor, if employed, serves as an issuer's impartial consultant on structuring and **selling** securities. When an issuer auctions general **obligation** bonds, the services of a financial advisor are in addition to those of the underwriter...cost, bond rating agency fees, bond counsel fees, and other transaction expenses.

#### BOND COUNSELS

A **bond** counsel plays a critical role in an issuer's attempt to obtain underwriter and investor interest in an issue. When tax laws are uncertain, **bond** counsels hesitate to issue an opinion on the tax-exempt status of **bonds**. As the events of early 1986 demonstrated, the market expects a **bond** counsel to help screen out unacceptable risks. In early 1986, the U.S. Senate held...

... bill), and potential law (that which had not yet been voted upon). Needless to say, **bond** lawyers hesitated to take such a step toward unknown accountability. Because of those tax-law uncertainties, many issuers were unable to take advantage of an otherwise favorable interest rate market.

**Bond** counsel expertise enhances an issuer's financial agenda. A **bond** counsel can point out seemingly small nuances in the law permitting the desired public purpose...

...prone to new interpretations and tests.

When a debt issue is embedded in trouble, the **bond** counsel can be part of the problem as well as part of the solution. As **bond** counsel of record on a **bond** issue facing imminent technical or actual default, the **bond** counsel faces the potential of a liability suit by **bondholders**, as those associated with the WPPSS defaulted **bonds** found out. If a troubled debt issue is dealt with early enough, the **bond** counsel can serve as a powerful ally in designing a remedy. Given that the **bond** counsel is at risk too, it can work to the issuer's advantage. Because the major **bond** counsel firms are also some of the more prominent legal firms in a particular state...

...their influence runs throughout the various seats of power. For an issue facing troubled times, **bond** counsel efforts to secure interlocal, state, and/or federal legislation or assistance can rebound to...

... institution, is selected by the issuer to receive and disburse coupon and principal payments to **bondholders**. For revenue **bonds**, however, the same, or a different financial institution, enters into a more complicated legal duty on behalf of **bondholders**, serving as a fiduciary to ensure that the issuer follows all **bond** indenture requirements.

Although all is fine as long as the debt issuer pays principal and...

... as specified, the trustee's role expands as trouble looms. In scenarios concerning troubled revenue **bonds**, the trustee must take care to act as if the assets were his own--a...

... of the debt-financed project or to "pull the plug"--that is, to declare the **bonds** due and payable immediately. In such a situation, an issuer may attempt to position the...

... often detect a change in a debt issuer's repayment status before many others, especially **bondholders**. A trustee's duty is to report to current (registered) **bondholders**. By design this gives **sellers** of the outstanding **bonds** a market advantage over buyers because of information asymmetries. To counter this secondary market problem...

... broad market disclosure of significant events or developments, not just provide the information to current **bondholders**.

#### CREDIT RATING AGENCIES

Credit rating agencies are paid by the debt issuer to provide an...

... borrowed funds. More practically, rating agencies serve as de facto gatekeepers to the broad municipal **bond** market. For inexperienced or inadequately qualified issuers, either the expected or the actual decision of credit raters can effectively bar an issuer's market entry. Thus, **bond** ratings are not sought by all debt issuers. Some issuers acknowledge their negative market qualities...

... e.g., local banks), not the broad market of investors. For example, private-purpose revenue **bonds**, small-sized general **obligation bonds**, public purpose revenue **bonds**, and short-term notes often are placed with local investors. If an issuer desires or...process appears uninviting for all but the smallest issuers. Although a quarter of all municipal **bonds** are unrated, the total dollar volume of such **bonds** make up less than 10 percent of the entire municipal **bond** market (Petersen, 1989). This means there are numerous small dollar-sized **bond** issues that avoid the rating process.

With two private rating services dominating the market, a...

...rating. As to the preference for one credit rating service over another, the two dominant **bond** rating services enjoy similar dollar volume market shares (Petersen, 1989). Furthermore, to assume that one...

... by leasing the credit of a higher-rated institution. Credit enhancement takes the form of **bond** insurance or a letter of credit facility, whereby a third party guarantees **debt** service. **Bondholders** gain added **security** from the third-party guarantor's credit. **Bond** insurance also offers economic benefits to issuers (Quigley and Rubinfeld, 1991). Research indicates that issuers...

... might be expected then, the market for credit enhancement services has grown in recent years (**Bond Buyer** 1991). Most **debt** issues carry a **bond** rating, either their own or a borrowed credit. In fact, a three-year study of **debt** concluded that only one in ten issues (amounting to 2 percent of the dollar volume...

...million dollars in size (Petersen, 1989, pp. 25,28).

A fourth avoidance behavior is to **sell** a short-term note to local investors without a rating. The issuer preserves the option...

... request a rating at some later point, especially at the time of

conversion into a **bond** . An advantage of rolling over the yearly note for several years is that it offers...

... rating agencies now assign ratings to notes and look upon increasing amounts of short-term **debt** in negative terms.

Avoidance of **bond** ratings may be in the best interests of small governments, for several reasons (Sullivan, 1983; Palumbo and Sacks, 1987). First, for small-sized **bond** issues, the fee to obtain a **bond** rating is a cost of issuance that may not be adequately recovered in interest savings. Second, small governments are unlikely to receive high **bond** ratings, especially for general **obligation bonds** . Higher **bond** ratings are associated with larger-dollar-sized amounts and larger-sized population centers. Thus, small...

... to overcome as much investor suspicion as those borne by a larger jurisdiction. Unlike larger **debt** issuers who rely on a national investor base, small government **bonds** often are bought locally; these local investors must trust their own assessment of the **debt** issuer's credit quality. Thus, a small government may avoid a **bond** rating and still obtain a reasonable rate of borrowing because local investors know that government's capabilities (Sullivan, 1983, p. 110).

An issuer attempts to influence the **bond** rating decision by enhancing its arguments and the **security** of the planned issue. Measures to enhance the **security** backing an issue range from obtaining a third-party guarantee to tightening the financial package...

... as collateral (e.g., an earmarked sales tax plus sewer user fees for a revenue **bond** ). A guarantee can take the form of a standby letter of credit (primarily for short...

...Texas where the oil-land-enriched Permanent Fund guarantees local school district borrowings), or private **bond** insurance. Although a third-party guarantee results in the highest credit rating (an automatic "Aaa...

... political consensus. These steps represent an issuer's preventive or preemptive strategy for dealing with **bond** rating agencies. That is, issuers attempt to anticipate, and then implement, the more obvious fiscal ...

... economic activity (Peirog, 1992). Strong economic activity and diversification are the keys to a high **bond** rating (Ioviscek and Crowley, 1990).

As part of an enhancement strategy, issuers seek to maintain...to visit the raters and to recognize the political, as well as financial, importance of **debt** strategies, given the credit raters' ability to issue a locally perceived negative or positive signal...

...VOTERS, MONITORS, AND CONTROLLERS

Issuers with a requirement to obtain voter or state approval for **debt** issuance can attempt to influence or avoid some, or all, of these barriers. Voters tend to approve **bond** elections, at least in terms of a national aggregate trend ( **Bond Buyer** 1991). Notwithstanding historical approval trends, some issuers cannot obtain voter approval despite repeated attempts. Needless to say, each **bond** approval referendum requires a particular marketing campaign. An effective strategy for voter approval tends to...

...a political environment of fiscal trust and accountability.

Issuers show a propensity to avoid onerous **debt** hurdles, if possible, This is reflected in efforts to: (1) use less-encumbered financing sources ...

... to remove some of the restrictions. One opportunity arises when the restrictions on issuing revenue **bonds** are less than those for general **obligation bonds**. For example, Louisiana local governments must obtain voter approval for general **obligation bonds** but not for sales-tax-backed revenue **bonds**; as a result, revenue **debt** outstanding is significantly higher than general **obligation debt**. The incentive to utilize revenue **bonds** is intense in such situations.

Another issuer strategy is to circumvent **debt** limits. Often this can be accomplished by using "off the **debt** schedule" financing, such as lease-purchase deals, certificates of participation (COP), or loans from statutory authorities (i.e., a state-created financial conduit agency that issues revenue **bonds** to generate proceeds to **loan** to other governmental jurisdictions).

California local governments became major users of COPs because of Proposition...

... requirement to continue appropriating funds to repay the COPs, knowing that investor comfort in the **bonds** comes from the issuer's agreement, but not legal requirement, to appropriate yearly funds to...

...belated questioning of the legality of such borrowing.

Some issuers have two sets of general **obligation debt** issuance powers. One is greatly restricted in dollar amounts but requires only the governing body's approval--termed **unvoted debt** in Ohio, for example. The other requires voter approval but has a high ceiling of available borrowing power--termed **voted debt** in Ohio. Public officials prefer, of course, the flexibility associated with **debt** merely requiring the approval of the governing body. Thus, one strategy is to carefully select...

... for placing before the voters, those more attractive and characterized by political consensus. The **unvoted debt** capacity is reserved for projects where timing is of the essence or the likelihood of voter approval is more suspect. Rationing within the **unvoted-debt** capacity becomes a significant fiscal strategy. Effective management of the **unvoted debt** capacity requires the imposition of internal capital hurdle rules to avoid depleting the slack capacity too quickly.

In summary, issuers adopt strategies to circumvent **debt** monitors, including the voters. The problem with this behavior is that public officials focus more on how to manipulate state and local **debt** restrictions than on effective strategies for matching capital needs to the market and the price for borrowed funds (Sbragia, 1979; and, Peterson, 1990). In the end, such **debt** strategies may prove successful, but the issuer may pay the price in significant interest rate differentials whether it is due to delay, issuance of revenue **bonds**, or other factors.

## CONCLUSION

This article suggests that issuers of state and local government **securities** have an optimum capital goal--to obtain the lowest cost of



capital over the desired...

... savings while other strategies have less precise economic benefits for the issuer. The research on **debt** strategies is sporadic at best. More empirical work is required.

While this article is only...

... allowing capital decisions to evolve out of inattention, being unduly rayed by others in the **debt** issuance process, or incremental decision making. A mistake in this management area stays with the community for many years to come, as long as the **debt** is outstanding.

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Freeman, R. Edward...

16/K,3/11 (Item 1 from file: 9)

DIALOG(R)File 9:Business & Industry(R)

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2269884 Supplier Number: 02269884 (USE FORMAT 7 OR 9 FOR FULLTEXT)

**Deal in Focus: Short-Term Treasury Yields Rise Just Enough to Allow**

**Anchorage GO Sale**

**(Anchorage will offer a \$21.9 mil general obligation school refunding bond)**

The Bond Buyer, v 326, n 30501, p 25

October 16, 1998

DOCUMENT TYPE: Newspaper ISSN: 0732-0469 (United States)

LANGUAGE: English RECORD TYPE: Fulltext

WORD COUNT: 749

(USE FORMAT 7 OR 9 FOR FULLTEXT)  
(Anchorage will offer a \$21.9 mil general obligation school refunding bond)

ABSTRACT:

Anchorage will offer a \$21.9 mil general obligation school refunding bond following an increase in the yield on Treasuries. The bond was offered...

...2011. The new sales will refund callable portions of a \$63 mil GO school bond sold in 1994, especially the 2011 serial and a term bond due in 2014. ...

TEXT:

...watched the yield on Treasuries rise just enough to make a \$21.9 million general obligation school refunding bond possible.

A rise in short-term Treasury prices early last week initially created 40 basis points of negative arbitrage on the refunding. But then, Treasury yields rose and...

...time to do the refunding."

Unless the market shifts again, the city will negotiate the debt on Tuesday through Long Beach, Calif.-based underwriter O'Connor & Company Securities. The debt will feature serial bonds maturing out to 2014, and the ability to call debt early starting in 2009 at 101, declining to par in 2011.

Insured by MBIA Insurance Corp., the deal will refund callable portions of a \$63 million GO school bond sold in 1994, more specifically the 2011 serial and a term bond due in 2014.

O'Connor vice president Gary Larsen said he expects institutional buyers to ...

...not there, but sometimes it is there."

One Seattle-based trader speculated that the refunding debt may trade five basis points richer than similarly rated bonds.

"It will trade just a little bit away from a mainland-like credit," the trader...

...points easily. But you just don't see that distinction being made on a general obligation that you might have once seen."

While the deal carries MBIA's triple-A credit strength, Moody's Investors Service rates the city's outstanding GO debt A1, while Standard & Poor's rates it A.

The city last tapped the primary market with a \$35 million tax and revenue anticipation note deal in December 1997. Anchorage last sold long-term debt in November 1997 with a negotiated \$43 million of Financial Guaranty Insurance Co.-backed school GOs.

Prudential Securities Inc. served as book-runner on that loan and priced bonds to yield from 3.90% in 1998 to 5.32% in 2017. Coupons ranged from...

...1998 to 5.25% in 2017.

In the upcoming deal, the city will issue the **debt** because the Anchorage school system does not have taxing or **bonding** authority.

Anchorage is Alaska's largest city and commercial center, with 41% of the state...

...the price of oil.

Anchorage currently has about \$146 million of authorized-but-unissued GO **bonds** in its pocket, primarily for schools, its wastewater utility, and roads. Current plans call for \$55 million of school **bonds** to be issued in December. As of Sept. 2, the city had \$310 million of outstanding school-construction GOs.

Alaska has a unique school **debt** service reimbursement program under which the state helps financially both with building local schools and repaying their **bonds**. The state pays 70% of **debt** service on local school **bonds** issued after March 1990.

In April 1994, Anchorage voters approved the issuance of \$174.9 million of school GO **debt**. The state will reimburse the city for slightly more than half of the total **debt** service.

**Bond** counsel on the upcoming deal is Anchorage-based Wohlforth, Argetsinger, Johnson & Brecht. Financial adviser is...

16/K,3/12 (Item 2 from file: 9)  
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2070021 Supplier Number: 02070021 (USE FORMAT 7 OR 9 FOR FULLTEXT)

**The Debt Roulette**

(Brazil's domestic debt is \$70 bil, public sector and current account deficits are 4-5% of GDP)

LatinFinance, n 94, p 23+

January 1998

DOCUMENT TYPE: Journal ISSN: 1048-535X (United States)

LANGUAGE: English RECORD TYPE: Fulltext

WORD COUNT: 3732

(USE FORMAT 7 OR 9 FOR FULLTEXT)

**ABSTRACT:**

...by the sale of \$50 mil in real estate assets and later a syndicated bridge **loan** for about \$100 mil. Brazil's domestic debt is \$70 bil, public sector and current...

**TEXT:**

...the sale of some \$50 million in real estate assets, and later a syndicated bridge **loan** for roughly \$100 million.

"The markets are not there, and they won't be there...

...operations also include textiles, engineering, retail and fishing. "Right now, you have to be more **creative** in adapting some of these instruments to the current realities of our countries."

And right...

? ds

Set	Items	Description
S1	0	(DEBT (12W) (SECURIT? BOND?) (12W) BACKED (12W) LOAN)
S2	0	(DEBT (12W) (SECURIT? BOND?) (12W) BACKED) AND LOAN
S3	132	(DEBT (12W) (SECURIT? OR BOND?) (12W) BACKED (12W) LOAN)
S4	59	S3 NOT MORTGAGE
S5	43	RD S4 (unique items)
S6	22	S5 AND PY<2000

? t s6/k,3/all

**6/K,3/1 (Item 1 from file: 15)**  
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01909166 05-60158  
**Macau the gateway to China**  
Bradbury, Nicholas  
Euromoney n365 PP: 84-93 Sep 1999  
ISSN: 0014-2433 JRNL CODE: ERM  
WORD COUNT: 4091

...TEXT: million in equity, development grants of \$75 million and \$400 million in debt.

Of the **debt** \$155 million came in the form of a HK\$1.2 billion **bond** issue in Hong Kong **backed** by the BOC. The remainder included a fixed rate **loan** from BNU, and commercial and export credit loans arranged by ANZ Bank and Banco Commercial...

**6/K,3/2 (Item 1 from file: 9)**  
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2611707 Supplier Number: 02611707 (USE FORMAT 7 OR 9 FOR FULLTEXT)  
**Macau the gateway to China**  
(Macau, with GDP of \$7.3 bil, has total loans, advances of \$7 bil, deposits of about \$12 bil; article discusses past, current economic developments of city, which will be returned to Chinese rule on 12/20/99)  
Euromoney, p 84+  
September 1999  
DOCUMENT TYPE: Journal ISSN: 0014-2433 (United Kingdom)  
LANGUAGE: English RECORD TYPE: Fulltext  
WORD COUNT: 4103

(USE FORMAT 7 OR 9 FOR FULLTEXT)

TEXT:  
...million in equity, development grants of \$75 million and \$400 million in debt.

Of the **debt** \$155 million came in the form of a HK\$1.2 billion **bond** issue in Hong Kong **backed** by the BOC. The remainder included a fixed rate **loan** from BNU, and commercial and export credit loans arranged by ANZ Bank and Banco Commercial...

**6/K,3/3 (Item 2 from file: 9)**  
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2580658 Supplier Number: 02580658 (USE FORMAT 7 OR 9 FOR FULLTEXT)  
**Infrequent Pennsylvania Issuer Stands Out in Crowded Market**  
**(Washington County Authority in Pennsylvania will sell \$75 mil worth of**  
**bonds this week to finance loan program that county-based municipalities**  
**can borrow from to finance capital improvement projects)**  
The Bond Buyer, v 329, n 30730, p 4  
September 21, 1999  
DOCUMENT TYPE: Newspaper ISSN: 0732-0469 (United States)  
LANGUAGE: English RECORD TYPE: Fulltext  
WORD COUNT: 673

(USE FORMAT 7 OR 9 FOR FULLTEXT)

TEXT:

...in \$100,000 blocks to institutional investors, he said. Prudential Securities Inc. will market the **bonds** through an arrangement it has with RRZ.

The **debt** will be **backed** with general obligation or revenue pledges from the various municipalities in the **loan** program, Zappala said. Before they can participate, however, they have to meet with the approval...

6/K,3/4 (Item 3 from file: 9)

DIALOG(R)File 9:Business & Industry(R)  
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2533870 Supplier Number: 02533870 (USE FORMAT 7 OR 9 FOR FULLTEXT)  
**Virginia to Rev Up Airport SRF; May Be First in Nation to Issue**  
**(Virginia plans state revolving loan fund for airports; would be second**  
**such program in the US and possibly the first to sell bonds)**  
The Bond Buyer, v 329, n 30695, p 1+  
August 02, 1999  
DOCUMENT TYPE: Newspaper ISSN: 0732-0469 (United States)  
LANGUAGE: English RECORD TYPE: Fulltext  
WORD COUNT: 860

(USE FORMAT 7 OR 9 FOR FULLTEXT)

ABSTRACT:

...generally offers low- or no-interest loans to localities. When the program turns to the **bond** market, the **debt** is **backed** by **loan** repayments and future grants. Such programs generate significant sums of tax-exempt debt, with the...

TEXT:

...will provide low or no-interest loans to localities. When the program turns to the **bond** market, the **debt** will be **backed** by **loan** repayments and future grants.

Nationwide, such programs have spurred significant amounts of tax-exempt debt...

6/K,3/5 (Item 4 from file: 9)

DIALOG(R)File 9:Business & Industry(R)  
(c) 2004 The Gale Group. All rts. reserv.

2339049 Supplier Number: 02339049 (USE FORMAT 7 OR 9 FOR FULLTEXT)  
**Southwest Bond-Watch: New Mexico: NMFA Upgrade**  
**(The New Mexico Finance Authority's public project revolving fund bonds are**  
**rated; Dain Rauscher Inc is lead underwriter)**  
The Bond Buyer, v 327, n 30556, p 28  
January 12, 1999  
DOCUMENT TYPE: Newspaper ISSN: 0732-0469 (United States)  
LANGUAGE: English RECORD TYPE: Fulltext  
WORD COUNT: 281

(USE FORMAT 7 OR 9 FOR FULLTEXT)

TEXT:

...bonds, in addition to the analysis that had previously served as the  
basis for the **bonds** ' rating.

The NMFA's **debt** is **backed** by municipal and state agency **loan**  
repayments as well as the agency's 75% share of the state's gross receipts  
...

**6/K,3/6 (Item 1 from file: 621)**  
DIALOG(R)File 621:Gale Group New Prod.Annou.(R)  
(c) 2004 The Gale Group. All rts. reserv.

01688290 Supplier Number: 50223862 (USE FORMAT 7 FOR FULLTEXT)  
**Texas Water Development Board \$150 Million State Revolving Fund Revenues**  
**Rated 'AAA' by Fitch IBCA - Fitch IBCA -**  
PR Newswire, p0805NYW085  
August 5, 1998  
Language: English Record Type: Fulltext  
Article Type: Article  
Document Type: Newswire; Trade  
Word Count: 733

... bonds test prohibiting new parity issuance that would cause a  
downgrade of outstanding senior lien **debt** . Coverage levels are now well  
above Fitch IBCA's requirements for 'AAA' **bonds backed** by a **loan** pool  
of the Texas CWSRF's diversity, quality, and security. Half of the  
outstanding loan...  
**19980805**

**6/K,3/7 (Item 1 from file: 636)**  
DIALOG(R)File 636:Gale Group Newsletter DB(TM)  
(c) 2004 The Gale Group. All rts. reserv.

04385860 Supplier Number: 55190622 (USE FORMAT 7 FOR FULLTEXT)  
**U.K. RETAILER STAYS AT HOME WITH (pounds)350 BOND SALE.**  
Corporate Financing Week, v25, n28, p5  
July 12, 1999  
Language: English Record Type: Fulltext  
Document Type: Newsletter; Professional Trade  
Word Count: 257

... the deal. In March, Great Universal refinanced \$1.2 billion of the  
acquisition-related bank **debt** by selling **bonds backed** by receivables  
from GGF, its auto **loan** business.  
**19990712**

6/K,3/8 (Item 1 from file: 148)

DIALOG(R)File 148:Gale Group Trade & Industry DB  
(c)2004 The Gale Group. All rts. reserv.

11600010 SUPPLIER NUMBER: 56706355 (USE FORMAT 7 OR 9 FOR FULL TEXT)  
**Triple-A, Water-Friendly Virginia Deal Embraced by Two Worlds.**  
Kinn, Ola; Er  
Bond Buyer, 330, 30752, 1  
Oct 21, 1999  
ISSN: 0732-0469 LANGUAGE: English RECORD TYPE: Fulltext  
WORD COUNT: 929 LINE COUNT: 00075

... Co., and First Union Capital Markets Corp. -- also serve as  
co-managers.

Officials hope the **bonds** will sell rapidly. Rating agencies have  
stated that the **debt** -- **backed** by **loan** repayments, earnings from a  
sizeable reserve fund, and the reserve itself -- is unusually secure for...

19991021

6/K,3/9 (Item 2 from file: 148)

DIALOG(R)File 148:Gale Group Trade & Industry DB  
(c)2004 The Gale Group. All rts. reserv.

11535243 SUPPLIER NUMBER: 57438300 (USE FORMAT 7 OR 9 FOR FULL TEXT)  
**State Revolving Funds: Issuance Hindered by Lack of Understanding,**  
**Panelists Say.**  
Kinnander, Ola  
Bond Buyer, 330, 30765, 5  
Nov 9, 1999  
ISSN: 0732-0469 LANGUAGE: English RECORD TYPE: Fulltext  
WORD COUNT: 554 LINE COUNT: 00047

... of the SRF loans should go to high-risk localities -- a design  
which generates lower **bond** ratings for **debt** **backed** by **loan**  
repayments and may even make it impossible to sell debt.

Richard Kuhlman, acting director of...

19991109

6/K,3/10 (Item 3 from file: 148)

DIALOG(R)File 148:Gale Group Trade & Industry DB  
(c)2004 The Gale Group. All rts. reserv.

11472526 SUPPLIER NUMBER: 57054553 (USE FORMAT 7 OR 9 FOR FULL TEXT)  
**Voters Confront \$8.5 Billion of Bond Referendums.**  
Bond Buyer, 330, 30759, 1  
Nov 1, 1999  
ISSN: 0732-0469 LANGUAGE: English RECORD TYPE: Fulltext  
WORD COUNT: 1159 LINE COUNT: 00093

... Spurs basketball team. And voters statewide will face a question on  
increasing the general obligation **debt** authority for the Texas Higher  
Education Coordinating Board's **bond** - **backed** student **loan** program by  
\$400 million.

In California, several public school districts are asking voters to  
approve...

19991101

6/K,3/11 (Item 4 from file: 148)

DIALOG(R)File 148:Gale Group Trade & Industry DB  
(c)2004 The Gale Group. All rts. reserv.

11362905 SUPPLIER NUMBER: 55825095 (USE FORMAT 7 OR 9 FOR FULL TEXT)  
**Infrequent Pennsylvania Issuer Stands Out in Crowded Market.**

Hoffman, David

Bond Buyer, 329, 30730, 4

Sept 21, 1999

ISSN: 0732-0469 LANGUAGE: English RECORD TYPE: Fulltext

WORD COUNT: 719 LINE COUNT: 00058

... in \$100,000 blocks to institutional investors, he said. Prudential Securities Inc. will market the **bonds** through an arrangement it has with RRZ.

The **debt** will be **backed** with general obligation or revenue pledges from the various municipalities in the **loan** program, Zappala said. Before they can participate, however, they have to meet with the approval...

19990921

6/K,3/12 (Item 5 from file: 148)

DIALOG(R)File 148:Gale Group Trade & Industry DB  
(c)2004 The Gale Group. All rts. reserv.

11265870 SUPPLIER NUMBER: 55322454 (USE FORMAT 7 OR 9 FOR FULL TEXT)  
**Virginia to Rev Up Airport SRF; May Be First in Nation to Issue.**

Kinnander, Ola

Bond Buyer, 329, 30695, 1

August 2, 1999

ISSN: 0732-0469 LANGUAGE: English RECORD TYPE: Fulltext

WORD COUNT: 917 LINE COUNT: 00075

... will provide low or no-interest loans to localities. When the program turns to the **bond** market, the **debt** will be **backed** by **loan** repayments and future grants.

Nationwide, such programs have spurred significant amounts of tax-exempt debt...

19990802

6/K,3/13 (Item 6 from file: 148)

DIALOG(R)File 148:Gale Group Trade & Industry DB  
(c)2004 The Gale Group. All rts. reserv.

11178709 SUPPLIER NUMBER: 54862199 (USE FORMAT 7 OR 9 FOR FULL TEXT)  
**Brownfields: House Panel Passes Cleanup Bill Without a Revolving Fund.**

Kinn, Ola; Er

Bond Buyer, 328, 30660, 5

June 11, 1999

ISSN: 0732-0469 LANGUAGE: English RECORD TYPE: Fulltext

WORD COUNT: 329 LINE COUNT: 00030



... operated by state and local governments and authorities, they are often leveraged with tax-exempt **bonds** . In those cases, the **debt** is **backed** by **loan** repayments and future federal and state grants.

Borski had planned to offer his plan as...

19990611

6/K,3/14 (Item 7 from file: 148)

DIALOG(R)File 148:Gale Group Trade & Industry DB

(c)2004 The Gale Group. All rts. reserv.

11018887 SUPPLIER NUMBER: 54569145 (USE FORMAT 7 OR 9 FOR FULL TEXT)

**Infrastructure: New EPA Policies Harm Water Project SRFs, Report Charges.**

Kinn, Ola; Er

Bond Buyer, 328, 30635, 5(1)

May 6, 1999

ISSN: 0732-0469 LANGUAGE: English RECORD TYPE: Fulltext

WORD COUNT: 410 LINE COUNT: 00036

... loans to local governments and other parties that operate water facilities, are often leveraged with **bonds** . The **debt** is typically **backed** by **loan** repayments and federal and state grants.

The clean-water program has generated more than \$11...

19990506

6/K,3/15 (Item 8 from file: 148)

DIALOG(R)File 148:Gale Group Trade & Industry DB

(c)2004 The Gale Group. All rts. reserv.

10798273 SUPPLIER NUMBER: 53733497 (USE FORMAT 7 OR 9 FOR FULL TEXT)

**Budget Could Slash Clean Water SRFs.**

Bond Buyer, 327, 30572, NA

Feb 4, 1999

ISSN: 0732-0469 LANGUAGE: English RECORD TYPE: Fulltext

WORD COUNT: 250 LINE COUNT: 00023

... launched in 1987. The program has generated more than \$10.9 billion in tax- exempt **debt** , according to the Environmental Protection Agency.

SRF **bonds** typically are **backed** by **loan** repayments, as well as future federal and state grants.

Bonds issued under the drinking water...

19990204

6/K,3/16 (Item 9 from file: 148)

DIALOG(R)File 148:Gale Group Trade & Industry DB

(c)2004 The Gale Group. All rts. reserv.

09387001 SUPPLIER NUMBER: 19253935 (USE FORMAT 7 OR 9 FOR FULL TEXT)

**Fitch Expects to Rate Brazos Higher Education Authority \$61 Million Bonds**

'AAA' - Fitch Financial Wire -

PR Newswire, p326NYW097

March 26, 1997

LANGUAGE: English RECORD TYPE: Fulltext

WORD COUNT: 462 LINE COUNT: 00039

Fitch also expects to affirm ratings on the following outstanding  
**debt** : \$34.9 million student loan revenue **bonds** , senior series 1996 A-1;  
\$65.1 million student loan asset- **backed** notes, senior series 1996 A-2;  
\$50.0 million student **loan** revenue refunding bonds, senior series 1994  
A-1, \$46.0 million senior series 1994 A...

19970326

6/K,3/17 (Item 10 from file: 148)  
DIALOG(R)File 148:Gale Group Trade & Industry DB  
(c)2004 The Gale Group. All rts. reserv.

08747633 SUPPLIER NUMBER: 18301779 (USE FORMAT 7 OR 9 FOR FULL TEXT)  
**The Midwest.(Investment Roundtable)**  
Bond Buyer, v316, n29900, p72A(1)  
May 17, 1996  
ISSN: 0732-0469 LANGUAGE: English RECORD TYPE: Fulltext  
WORD COUNT: 1307 LINE COUNT: 00105

... region less dependent on manufacturing's cycles, Savader said.  
Chris Mier of Zurich Kemper Investments  
**Debt backed** by the Michigan Qualified School **Bond Loan Fund**  
and Illinois sales tax bonds are among the Midwest credits favored by Chris  
Mier...

19960517

6/K,3/18 (Item 11 from file: 148)  
DIALOG(R)File 148:Gale Group Trade & Industry DB  
(c)2004 The Gale Group. All rts. reserv.

08627773 SUPPLIER NUMBER: 18235885 (USE FORMAT 7 OR 9 FOR FULL TEXT)  
**The 'rust belt' of the 1980s is gleaming again in the '90s. (Midwest;**  
**municipal bonds)(Investment Forum)**  
Roy, Elizabeth  
Bond Buyer, v316, n29879, p6(1)  
April 18, 1996  
ISSN: 0732-0469 LANGUAGE: English RECORD TYPE: Fulltext  
WORD COUNT: 1315 LINE COUNT: 00106

... revenue, we don't believe it's warranted."o  
Chris Mier of Zurich Kemper Investments  
**Debt backed** by the Michigan Qualified School **Bond Loan Fund**  
and Illinois sales tax bonds are among the Midwest credits favored by Chris  
Mier...

19960418

6/K,3/19 (Item 12 from file: 148)  
DIALOG(R)File 148:Gale Group Trade & Industry DB  
(c)2004 The Gale Group. All rts. reserv.

06780380 SUPPLIER NUMBER: 14699083 (USE FORMAT 7 OR 9 FOR FULL TEXT)  
**St. Paul Port Authority sends out Resolution 876 ballots.**  
Hattori, April  
Bond Buyer, v306, n29295, p3(1)  
Dec 8, 1993

ISSN: 0732-0469      LANGUAGE: ENGLISH      RECORD TYPE: FULLTEXT  
WORD COUNT: 470      LINE COUNT: 00037

... plan was unveiled in November after a group of institutional bondholders objected to the complete **debt** restructuring that the authority proposed in October 1992.

The Resolution 876 **bonds** , which financed commercial developments in St. Paul, were **backed** by **loan** payments to the authority. A slump in the city's business real estate market caused...

**19931208**

6/K,3/20      (Item 1 from file: 810)  
DIALOG(R)File 810:Business Wire  
(c) 1999 Business Wire . All rts. reserv.

0392439      BW869

**MOODY'S: Moody's Public Finance Department Rating News; CREDIT CONCERNS ASSOCIATED WITH ISSUERS OF SOLID WASTE BONDS IN NEW JERSEY**

March 17, 1994

Byline:      Business Editors

...thoroughly justified have led to lower tip fee increases than may be desirable for satisfactory **bondholder** protection on revenue **backed debt** . Use of zero interest **loan** proceeds for non-capital purposes The Natural Resources Bond Act of 1980 and the Resources...

6/K,3/21      (Item 1 from file: 476)  
DIALOG(R)File 476:Financial Times Fulltext  
(c) 2004 Financial Times Ltd. All rts. reserv.

0001531211      B0CDPB7ADAF7

**Letters to the Editor: Council borrowing**

R. D. PACKSHAW, 34-40 LUDGATE HILL, LONDON, EC4.

Financial Times, P 12

Saturday, January 30, 1982

DOCUMENT TYPE: NEWSPAPER      LANGUAGE: ENGLISH      RECORD TYPE: FULLTEXT

Word Count: 195

**1982**

...levy a supplementary rate or precept would undermine the authority's ability to service its **debt** promptly.

With the **security** of the principal **backed** by the Public Works **Loan** Board's 'lender of last resort' facility those who lend to local government in the...

6/K,3/22      (Item 1 from file: 475)  
DIALOG(R)File 475:Wall Street Journal Abs  
(c) 2004 The New York Times. All rts. reserv.

05269144

**ISRAEL TO SELL NEARLY \$5 BILLION OF DEBT AS US MILITARY LOANS ARE**

**REPACKAGED**

Wall Street Journal, Col. 1, Pg. 62, Sec. 2  
Tuesday September 20 1988

**1988**

**ABSTRACT:**

Israel plans to sell almost \$5 billion of **debt securities backed**  
by US Govt, first issue in \$14 billion US military- **loan** refinancing  
program for foreign countries (M)  
?

8/K,3/28 (Item 6 from file: 148)  
DIALOG(R)File 148:Gale Group Trade & Industry DB  
(c)2004 The Gale Group. All rts. reserv.

05526003 SUPPLIER NUMBER: 11573959 (USE FORMAT 7 OR 9 FOR FULL TEXT)  
**West Virginia comes on fiscally strong as it plans early retirement of  
bond issue.**  
Yacoe, Donald  
Bond Buyer, v297, n28704, p672(2)  
August 5, 1991  
ISSN: 0732-0469 LANGUAGE: ENGLISH RECORD TYPE: FULLTEXT  
WORD COUNT: 771 LINE COUNT: 00058

**West Virginia comes on fiscally strong as it plans early retirement of  
bond issue.**

The revenue bonds were issued to cover a loan from the federal government that was used to pay the unemployment claims of out-of...

...At the time, the state was unable to cover its portion of those benefits.

Because debt service on the bonds has been backed by a payroll surcharge assessed workers and employers in the state, early retirement of the borrowing on Oct. 1 will save West Virginians about \$80 million, said Thomas Heywood, Gov. Gaston Caperton's chief of staff, on Friday.

In addition, he said, early retirement of the bonds will save \$21.2 million in interest costs.

"We are very pleased...

...strong indication of the state's return to fiscal health," Mr. Heywood said. "This early retirement is purely and simply a function of our improved employment situation."

The West Virginia official...

...payments began. This strength has generated unanticipated receipts from the payroll surcharge, speeding up the retirement of outstanding unemployment debt.

For example, in 1988 the revenues generated by the surcharge allowed ...

...until Oct. 1, 1993.

Last week, the governor decided that the benefits of the bond retirement would go directly to an elimination of the wage assessment surcharge.

"West Virginia workers and...

...revitalized its industrial plant.

According to Mr. Heywood, the good news of the early bond retirement is another instance of the recent favorable economic trends in West Virginia.

He said he...

...that West Virginia's economy has improved in the last several years and the early retirement of the unemployment compensation bond issue would be a plus.

Mr. Leung declined, however, to...